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HUAFENG
華 豐

Huafeng Group Holdings Limited **華 豐 集 團 控 股 有 限 公 司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED ACQUISITION

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

Further to the entering into a memorandum of understanding in relation to a proposed acquisition of gold mine in Liaoning Province of the People's Republic of China, the Board is pleased to announce that the Company on 6 May 2010 entered into another MOU with the Vendor in relation to the Proposed Acquisition in relation to 60% equity interest in the Target Company. The Target Company is expected to hold 100% equity interest in the Gold Mine after the completion of the reorganisation.

The entering into the MOU does not constitute the parties' legally binding commitment in respect of the Proposed Acquisition that is subject to the execution of the Formal Agreement in relation thereto by the parties.

Shareholders and potential investors of the Company should note that the Proposed Acquisition may or may not materialize. The Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate. **Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

MEMORANDUM OF UNDERSTANDING

Further to the entering into a memorandum of understanding in relation to a proposed acquisition of gold mine in Liaoning Province of the People's Republic of China, on 6 May 2010, Huafeng Group Holdings Limited (the "**Company**") entered into another memorandum of understanding (the "**MOU**") with another vendor (the "**Vendor**"), an independent third party, in relation to the proposed acquisition (the "**Proposed Acquisition**") of 60% in the entire issued capital in a company (the "**Target Company**" and together with its subsidiaries after completion of the reorganisation, the "**Target Group**") to be established by the Vendor. The Target Company will be incorporated in the British Virgin Islands and will be principally engaged in investment holding and is expected to hold 100% equity interest in a gold mine (the "**Gold Mine**") in the People's Republic of China (the "**PRC**") upon completion of the reorganisation.

Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of the formal agreement (the "**Formal Agreement**") for the Proposed Acquisition on the following guiding principles:

- (i) the Formal Agreement will be entered into within three months from the date of the MOU or such later date as the Company and the Vendor may agree;
- (ii) the consideration of the Acquisition will be RMB720,000,000;
- (iii) the Vendor will undertake that the valuation of 100% equity interests in the Gold Mine to be performed by an independent valuer shall not be less than RMB2,000,000,000; and
- (iv) the Vendor will guarantee to the Company that the output of metallic gold in the following three financial years ending 31 December 2013 will not be less than 1, 1.5 and 2.0 metric tons respectively.

The Company will conduct and the Vendor will provide assistance to the Company to conduct due diligence exercise on the Target Group. The Vendor has undertaken that during the period of three (3) calendar months from the date of the MOU, it will not initiate or continue negotiations or discussions with or enter into any agreement or statement of intent or memorandum of understanding with any person or entity other than the Company with respect to the sale of the equity interest in or business of any of the members of the Target Group.

Save for the matters disclosed above, the entering into the MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in the provision of fabric processing services and manufacture and sale of yarns.

In order to seek for more business opportunities and to maximize return to the Company and the Shareholders in the long run, the Company has decided to enter into the MOU with the Vendor to explore the possibility of diversification of the business of the Group.

GENERAL

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By Order of the Board of
Huafeng Group Holdings Limited
Cai Yangbo
Executive Director

Hong Kong, 6 May 2010

As at the date of this announcement, the executive directors of the Company are Mr. Cai Zhenrong, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo and Mr. Choi Wing Toon. The independent non-executive directors of the Company are Mr. Lawrence Gonzaga, Ms. Choy So Yuk, JP and Mr. Wong Siu Hong.